

MID WALES REGIONAL COMMITTEE

ORGANIC FARMING IN MID WALES

COLLATED RESPONSES

Farmers' Union of Wales [*](#)

Joint statement of Nic Lampkin, Senior Lecturer, Welsh Institute of Rural Studies, Aberystwyth University with Gareth Rowlands, Chairman of the Organic Strategy Group.

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ADAS Pwllpeiran [*](#)

Wales Consumer Council [*](#)

Country Landowners Association [*](#)

WALES YFC VIEWS ON ORGANIC FARMING [*](#)

Institute of Grassland & Environmental Research [*](#)

NFU Cymru Wales [*](#)

Farmers' Union of Wales

INTRODUCTION

The Farmers' Union of Wales welcomes the Mid Wales Regional Committee's review into Organic Farming in Mid Wales, and submits the following comments for Committee's consideration.

The FUW fully supports the principle of organic farming as a method of producing sustainable

management systems and for the secondary environmental benefits that can be derived therefrom.

The current crisis within the agricultural industry and the increasing importance of agri-environmental measures to Welsh farmers means that there is considerable potential for future expansion of the organic sector, providing attention is given to tackling the real and perceived barriers to conversion.

SETTING PRODUCTION STANDARDS/INSPECTION AND CERTIFICATION.

1. Organic farming standards throughout Europe are based on a range of both legislative and voluntary procedures, which have been developed and adapted over the past twenty years.
2. The growing interest in organic production during the 1980's and the range of standards between certification bodies in Great Britain prompted the formation of the Government supported United Kingdom Register of Organic Food Standards (UKROFS) in 1987.
3. UKROFS' main purpose was to seek agreement within the UK on organic standards. Since then, European wide standards for arable and horticulture have been introduced (1992) and discussion continues on the development of common standards for other commodities. UKROFS is now the appointed National Authority for ensuring implementation of the Regulation in the UK.
4. Currently, there are no formal EC standards for livestock production and Member States apply their own national standards, which vary from state to state.
1. As organic standards have largely been developed by producer organisations, there can be some perceived confusion amongst farmers that levels of standards and certification in other countries, from which the UK currently imports a large percentage of its organic products, are lower than our own.
6. As part of the measures accompanying reform of the CAP in 1992, EC Ministers agreed Regulation 2078/92. This Regulation sets out to encourage agricultural production methods compatible with the protection and maintenance of the countryside.
7. Under Regulation 2078/92, aid is available for Member States to introduce schemes to support existing organic producers, or to

encourage organic conversion.

8. Since 1995, the UK Government has promoted organic farming through the Organic Aid Scheme. This scheme has recently been reviewed and revised in an attempt to encourage farmers into conversion. In order to raise awareness and interest in organic farming, the Organic Conversion Information Service (OCIS) was launched in 1996, and the Government also supports research and development into organic farming methods.

9. Up to now, uptake of the Organic Aid Scheme has been low in Wales. This can be attributed to a combination of factors including poor incentives and the particular farming methods employed in Wales.

10. Most Welsh hill farms have areas which would probably meet Soil Association requirements, although the need for more intensive management systems on their 'bye' land precludes them from organic status.

11. Over 80% of Welsh farms are designated LFA and the FUW believes that consideration should be given to developing a support scheme for low input producers which would reflect the 'virtually organic' systems currently utilised by many Welsh farms.

12. In Wales, the recently launched Food Strategy encompasses an action plan for the organic food sector for the promotion and development of organic farming, processing and marketing within the Principality.

13. The Welsh organic sector is small, but expanding, with around 70 organic food producers in Wales with an additional 45 producers in conversion.

14. Despite the potential advantages in terms of the environment and price premia on products attributed to organic farming, there are a number of perceived and real disadvantages to conversion, particularly in Wales.

15. Despite the opportunities for expansion of the organic sector, uptake of the Organic Conversion Scheme in Wales has been low. This can be attributed to a combination of poor incentives and the

perception amongst farmers that organic farming leads inevitably to a fall in production and hence further pressure on inadequate income levels.

16. Concern has also been raised at the lack of support available for established organic producers, the fear of premium erosion, and the perception amongst farmers that levels of standards and certification in other countries, from which Britain currently imports a large percentage of its organic products, are lower than our own.

17. The FUW also believes that until recently, there has been a dearth of specialist advice, training opportunities and technical support for those considering conversion, although it is hoped that the proposals put forward as part of the Welsh Food Strategy will go some way to alleviating these problems.

18. Due to the topography and geography of Wales, the Principality is heavily dependent on livestock production. Whilst premiums of between 75-100% can be achieved from organic cereal production, premiums associated with red meat products are low (20-40%) in comparison, as borne out by figures published by the Pwllpeiran Experimental Organic Unit.

ECONOMICS

19. The FUW believes that the main cost of organic conversion is the income foregone through reduced stocking rates/yields, although this must be set against the income arising from premium prices once the land is converted.

20. During 1995/96, ADAS, University College of Wales, Aberystwyth and Elm

Farm Research Centre were commissioned to report on the conversion costs of a variety of agricultural systems.

21. The report concluded that whilst the conversion of enterprises such as arable, horticulture and dairy were generally cost effective, livestock enterprises, particularly in hill and upland areas, were more marginal, (although these figures improve if payments from other environmental schemes are available).

22. From the ADAS report, results would indicate that some organic enterprises such as dairy and arable retain their relative profitability over conventional systems even if premiums are reduced. However, the relative profitability of livestock systems is dependent on the level of enterprise changes ie. stocking density etc, required to convert.

PROMOTION AND MARKETING OF ORGANIC PRODUCE

23. During 1998, the Welsh Office commissioned a study to develop strategic action plans for the lamb and beef, dairy and organic sectors in Wales, in order to identify actions to support the industry.

24. As part of the review process, a SWOT analysis was prepared to examine the strengths and weaknesses of the organic sector within the context of the opportunities and threats prevailing in UK and international markets.

25. Amongst the weaknesses pinpointed was a poor distribution infrastructure, fragmentation of marketing effort and a lack of organisational structure in the sector.

26. Due to the rurality and peripherality of many livestock producers in Wales, the FUW fully appreciates the need to develop linkages between primary and intermediate producers and finishers.

27. The development of effective linkages between producers at all levels would be a major step forward in co-ordinating a rather fragmented industry and improving the domestic supply of organic produce.

28. Many farmers within the Less Favoured Areas (LFA) of Wales are situated far from specialist organic outlets and some are inhibited from organic production by high distribution and marketing costs.

29. Similarly, the Union is aware of organic processors in Wales who are unable to source their primary products locally. Any moves to improve information flow between these sectors could provide the opportunity to reduce overheads and thus improve the feasibility of organic production in Wales.

30. The FUW also believes that the promotion of information and advice about organic conversion and production has an important

role in breaking down some of the perceived barriers to conversion. Until relatively recently, information within the sector was confined to a few private consultants.

31. On a local basis organic farming can provide a valuable niche market for producers wishing to convert land to organic status, although the FUW believes that it is likely to remain a minority enterprise and indeed its success is dependent on retaining a small market base.

32. Whilst the FUW would concur that the organic sector in Wales has considerable potential to expand, it remains to be seen if the Welsh Food Strategy provides the holistic approach required to strengthen the product marketing chain which is currently a major block to expansion of the sector.

1. Given that Objective 1 status has been accorded to North, West Wales and

the South Wales Valleys from 2000, there is, providing sufficient resources are made available, a golden opportunity to develop and create effective distribution and marketing systems within Wales to enable farmers to exploit the potential for organic farming.

CONCLUSION

34. The FUW believes that the organic sector has considerable scope for expansion providing that perceived barriers to conversion, namely poor incentives and fragmented marketing chains, are fully evaluated and overcome.

35. Despite the recent review of the Organic Aid Scheme and the increased resources allocated to the scheme, budget restrictions and failure to introduce maintenance payments for existing organic units are unlikely to reassure Welsh farmers considering organic conversion that they are competing on a level playing field with other Member States.

36. If organic conversion is to be considered as a realistic business proposal for livestock producers in Wales, there needs to be a holistic and integrated approach to the development of the sector so that farmers can fully evaluate the tangible benefits and long term security of organic production.

37. The FUW fully supports the launch of the Welsh Food Strategy and its proposals for improving linkages within the organic sector.

38. Providing sufficient resources are made available to implement these plans, the FUW believes that those farmers considering conversion to organic systems will benefit from a more integrated and holistic approach to the production, distribution and marketing chains which have been previously lacking.

Joint statement of Nic Lampkin, Senior Lecturer, Welsh Institute of Rural Studies, Aberystwyth University with Gareth Rowlands, Chairman of the Organic Strategy Group.

Organic Farming in Mid Wales – invitation to present evidence to the Mid Wales Regional Committee on 3rd December 1999.

Joint statement from:

Gareth Rowlands (Chairman of the Welsh Agri-food Partnership Organic Strategy Group)
Dr. Nic Lampkin (Senior Lecturer, Welsh Institute of Rural Studies)

1. The Committee has invited us to comment on the following issues: setting production standards, inspection and certification, dissemination of good practice and the promotion and marketing of organic food. There are also some issues relating to the implementation of the Organic Farming Scheme in Wales and current discussions on rural development and structural measures, including the proposed LFA compensatory allowances, which we would like to draw to the Committee's attention.
2. Organic farming is now seen as an **important policy option** by the EU Commission and by many member states, with particular reference to **rural development and environmental protection** goals. We attach for information the Conference Summary Statement from a conference held in Vienna in May 1999, which was agreed between DGVI, DGXI and the Austrian Ministries of Agriculture and Environment. We also attach a paper presented by Nic Lampkin at that conference, which outlines the development of organic farming in Europe and some of the issues raised by the Agenda 2000 proposals.

Setting production standards

3. Organic farming standards are **underpinned by legislation** (EU regulations 2092/91 and 1804/1999), which has made it illegal to sell crop products as organic without

appropriate certification since 1st January 1993, and will apply to livestock products from August 2000. MAFF officials represent the UK at EU negotiations on the organic regulations (including the 'Article 14' committee that approves new inputs and discusses modifications to the regulations). The organic sector is also represented by the International Federation of Organic Agriculture Movements EU Group, which includes representation from each EU country, and recently a new organic farming advisory committee has been formally established by the Commission.

4. Within the UK, **national minimum standards** conforming to the EU Regulation 2092/91 are set and monitored by the UK Register of Organic Food Standards, based with MAFF in London, as the designated national control authority under the EU regulations. Standards are set by the UKROFS Board, with the assistance of technical and certification committees, and specialist working groups. For example, the issue of organic poultry standards was considered in detail by a specialist working group and recommendations were submitted to the UKROFS Board. Currently, a committee consisting of all the organic sector bodies and a number of other organisations is considering how to implement the new EU regulation on organic livestock production in the UK.
5. UKROFS is able to set standards that are **higher than the EU regulations** specify, but it cannot use these as a basis for restricting imports from other EU member states. This is relevant in the current discussions on the implementation of the livestock regulation because some of the provisions, for example tethering of livestock and the conversion of conventionally reared animals for organic meat production, are considered unacceptable in the UK. However, any minimum standards set at the UK level should not put UK producers at a competitive disadvantage with respect to imports.
6. Equally, **private sector organic certification bodies**, such as the Soil Association, can set standards that are stricter than the minimum required by either UKROFS or the EU regulations. This has led to some significant differences between organic sector bodies in the UK, in particular with respect to poultry production and livestock feed requirements. Farmers are therefore faced with a choice of sector bodies for certification, with different cost implications based not only on the inspection charges, but also on the standards that they will be required to meet. Despite this, the Soil Association certifies more than 70% of UK producers and 85% of UK processors, has a well-established structure for the development of standards, including consultation with both consumers and producers, and its symbol attracts a high degree of consumer recognition.
7. It is likely that, with the implementation of the EU livestock regulation, the differences between sector bodies in terms of standards will be reduced significantly. In addition, discussions are taking place between organic sector bodies to achieve **greater unity and consistency** – for example, the Soil Association has reached agreement with the Scottish Organic Producers Association on a common approach to standards in Scotland.
8. We believe that the existing structures for standards setting are appropriate and that there is no need for a separate Welsh approach, although there may be a case for

UKROFS to consider appropriate Welsh representation on relevant committees.

Inspection and certification

9. The EU Regulations require that all organic holdings are **inspected annually by an approved organisation**, and that a surveillance sample of ca. 10% is subject to additional random inspections to monitor the quality of the inspections being conducted by the approved organisations. The certification organisations themselves are also subject to inspection of their operating procedures and they are required to be registered under EN 45011 for quality assurance.
 10. UKROFS can inspect and certify individual producers directly, but certification with **private sector organisations is preferred** and is encouraged by means of the charging structure, which makes UKROFS the most expensive option. UKROFS' main inspection role therefore relates to approval of the certification bodies and their inspectors, and to carrying out the surveillance inspections.
 11. Private sector certification bodies need to be approved by UKROFS, as do all inspectors, who are required to demonstrate an appropriate level of experience, technical and certification knowledge. At present, the following bodies are registered in the UK:
 - Soil Association
 - Organic Farmers and Growers
 - Bio-dynamic Agricultural Association
 - Organic Food Federation
 - Scottish Organic Producers Association
 - Irish Organic Farmers and Growers Association
1. In Wales, the **two main certification bodies** are the Soil Association and Organic Farmers and Growers. While there may be advantages to having two competing organisations on efficiency grounds, it can be confusing both to consumers and producers. It may be that a single Welsh organisation would be less confusing to producers, and could help with the development of a Welsh identity for Welsh organic produce, although given the market penetration that the Soil Association symbol has achieved, it is difficult to see how any unified Welsh organic certification organisation could divorce itself from this. In addition, the relations between Organic Farmers and Growers and the Soil Association in England have not always been easy. It will therefore be interesting to see how in Scotland the Scottish Organic Producers Association /Soil Association collaboration develops and what lessons there might be for co-operation in Wales.
 2. Given the rapid expansion of the organic sector across the United Kingdom, there is a **shortage of suitably trained and qualified inspectors**, particularly with respect to the combination of organic farming expertise and business auditing/farm quality assurance

skills. There is a clear need for inspector training capacity in this area, in particular through support for the certification bodies' in-house training programmes.

Dissemination of good practice

1. Until recently, reliable information on good organic farming practice has not been readily available. Information tended to be available only through informal networks and organic movement publications. Farmers who were not integrated into these networks had significant difficulties getting access to sound information, a situation that was exacerbated by negative attitudes on the part of mainstream educational and advisory institutions. This led to the establishment of the specialist Organic Advisory Service, based at Elm Farm Research Centre in Newbury, in the mid-1980s. However, the 'user pays' basis for advice discouraged significant uptake of this service and attempts by ADAS and other conventional organisations to offer organic advice in the early 1990s also failed to thrive.
2. It was not until MAFF (and later WOAD) established the **Organic Conversion Information Service** in 1996 that conventional farmers could find a simple route to sound information concerning conversion to organic farming. This service provides a free telephone helpline and information pack, and up to 1.5 days of free advice. In England, the service is managed by FRCA, with the helpline run by the Soil Association and the advisory visits provided by the Organic Advisory Service. In Wales, the service is managed by ADAS, with the helpline run by the Soil Association as in England, but the advisory visits are split between ADAS (half-day visits) and the Organic Advisory Service (full-day visits). The split reflects the available expertise at the time the service was established.
3. **OCIS has proved very successful.** Since its inception, OCIS in England and Wales has been contacted by more than 10,000 farmers, with more than 1,500 in Wales. More than 1,000 farmers in Wales (more than 5% of Welsh farmers) have received half day visits, and more than 500 have received, or are due to receive, full day visits. The range of enterprises advised reflects the full range of enterprises present in Welsh agriculture.
4. A **quality review** has been undertaken in England (and another is currently being commissioned), but to date no similar review has taken place in Wales. The review in England demonstrated the value of the service to farmer's considering conversion. It may be worth considering whether a quality review in Wales would be appropriate, and whether any such review might have implications for the management and provision of OCIS in Wales.
5. There is some concern that producers, once they have had the free advice, do not take any further, **more detailed advice** relating to conversion or on-going organic management of their holdings. The provision of advisory grants as part of the WDA's Objective 5b Organic Farming Project is intended to address this. In the longer term, serious consideration should be given to supporting farmer advisory groups to enhance the availability and utilisation of organic farming advice.

Promotion and marketing of organic food

6. 1999 has been a year of tremendous **growth for the organic market** with an almost overwhelming demand from consumers for organic food. Retailers have responded enthusiastically and have worked hard to expand the range and quantities of organic products on their shelves, while established and new organic producers have seen their businesses grow. The range of products available still centres on fresh produce, but significant growth in sales of dairy, grocery, baby foods and convenience foods has been seen this year. As a result, the overall proportion of total sales attributable to fresh produce is down 9% from last year, even though produce sales rose from £140m to £175m. According to the Soil Association's 1999 Organic Food and Farming Report, the total retail sales value for the organic market increased from £260m in 1997/8 to £390m in 1998/9, and looks set to expand to £750 million by the end of 2000.
7. The **multiple retailers**, in particular Sainsbury, Tesco and Waitrose, have been driving this growth, although companies such as Marks and Spencer have also re-entered the race. The three leading supermarkets are currently quoting weekly sales of £2-2.5 million. Waitrose reported that organic sales in early 1999 accounted for 12% of all dairy sales, 4% of all grocery, and 52% of all baby food sales.
8. The very high levels of demand mean that, where suitable distribution channels are in place, relatively little promotion and marketing effort is required. However, the land area currently in conversion is increasing fast, and this will lead to **significant increases in supply** in the next couple of years, particularly in the dairy sector in Wales. If this milk is to be processed in Wales, so that the **added value of processing** can be retained in the Welsh economy, then action needs to be taken to identify and develop suitable processing capacity. In the horticulture sector, the growth in terms of packing capacity has taken place outside Wales, with some capacity moving out of Wales, reflecting the peripherality of the Welsh economy, but new opportunities are arising, particularly with respect to internet-based direct sales initiatives.
9. Consumers are yet to be offered a comprehensive range of **organically produced meat** and meat products by any supermarket, but all indications are that this will be a key feature of the sector over the next 12-24 months. The market is currently being built up on the basis of imported meat, for example Tesco is now importing organic beef from Germany. The obvious possibility is for a widespread penetration of lamb and beef sales resulting from the forthcoming availability of high quality Welsh organic products. There is also the potential for exports of organic beef to help in the process of rebuilding consumer confidence in Welsh beef overseas. For any of these to happen, there has to be much more focus on the development of supply co-ordination and marketing initiatives, and greater attention to the quality requirements of the multiple retailers. This is seen as a key priority for the Organic Strategy Group.

Other matters

10. The launch of the new **Organic Farming Scheme** in Wales is welcome, if long overdue. The rates of support available reflect the costs of conversion much better than the old scheme, in particular during the first two years when it is not normally possible to sell produce as organic. The high number of applications received for the new scheme demonstrate the increased interest in organic farming due to the crisis in conventional agriculture and due to high consumer demand.
11. However, **farmer confidence** in conversion is being seriously undermined by media reports of funding shortages in England, and by the actual funding shortages in Wales, with the scheme likely to close at the end of November after only two months. Although the budget for 1999/00 has been increased from £1m to £1.35m, this will still not be sufficient to cover all applications. Budgets for 2000 onwards have not yet been set, but there will need to be a significant expansion in funding available, in particular if the action plan target of 10% of Welsh agriculture to be organic by 2005 is to be achieved.
12. The **relationship of the Organic Farming Scheme to Tir Gofal** is also important, not just with respect to funding. The Organic Farming Scheme, like Tir Gofal, is funded under the EU agri-environment programme and this reflects the environmental contribution that organic farming can make. This arises from the encouragement of mixed farming systems, the non-use of most pesticides, reduced nutrient inputs and reduced stocking rates, all of which contribute to conserving and enhancing biodiversity and reducing pollution. The complementarity of the Organic Farming Scheme to Tir Gofal needs further emphasis, and in this context, the issue of dual-funding and the level of payment reductions which are applied when farmers are members of both schemes needs to be re-examined. In the longer term, the scope for full integration of the two schemes needs to be considered.
13. We would also like to highlight the potential **rural development** contribution of organic farming, including integration with other activities such as tourism and forestry, and the scope for supporting these activities through the structural and rural development measures. Further details of the issues raised here are contained in our response to the latest Rural Development Plan consultation exercise, which we attach.
14. We also attach our response to the proposals for **compensatory payments in less favoured areas**. From the perspective of organic farming, we welcome the shift from headage to area-based payments, and we welcome the increased emphasis on agri-environmental issues while recognising the social nature of the payments. We support the proposal for an environmental element to the payment, in particular for organic producers who have completed conversion and are not eligible for the Organic Farming Scheme. However, we consider that organic farming should be sufficient on its own as a criterion to qualify for the payments.

1. EU Vienna conference summary statement (vienna.doc)
2. EU Vienna conference Lampkin paper (lampkin.doc)
3. Rural Development Plan consultation response (rdpresp.doc)
4. LFA consultation response (lfaresp.doc)

Annex A, paper 1

Organic farming in the European Union – Perspectives for the 21st Century 27th – 28th May 1999 – Baden, Austria

Conference Summary Statement

Given the contribution of organic farming to environmental protection and rural development as well as the increasing consumer demand for organic products, the Commission and Austria convened a European conference on organic farming.

Organic farming is expanding rapidly, with growth rates of 25% per year in the EU. In the period 1993 to 1998 the area under organic production methods more than trebled from 890,000 ha to 2.9 million ha.

Several EU measures have contributed to this growth by providing an appropriate framework for the balanced and dynamic development of the organic sector. In particular:

- the introduction of legislation covering standards and certification procedures for organic production of agricultural products, which has helped to protect consumer and producer interests and ensure market transparency;
- the inclusion of this sector in the agri-environmental programmes, which support farmers who apply farming methods compatible with the requirements of the protection of the environment and the maintenance of the countryside;
- the application of structural measures e.g. schemes to promote investment, training, processing and marketing in the framework of objective 1, 5a and 5b-programmes, as well as the funding of research.

Further specific measures that are at an advanced stage of development include:

- the extension of the current legislation to livestock, which the Council intends to adopt in the next months, and
- the organic logo as a further effort to promote organic food.

As a result, the importance of organic farming among farming systems that provide environmental, animal welfare and social benefits has increased significantly.

Opening the Conference, Austrian Environment Minister Bartenstein described organic farming as the model for sustainable agriculture.

EU Environment Commissioner Bjerregaard presented her vision of the contribution of organic farming to a greener Europe. She called for the development of a long-term European strategy. This would, among other things, require the setting of clear, ambitious and realistic targets.

EU Agriculture Commissioner Fischler emphasised that the Agenda 2000 CAP reform in many ways provides important building blocks for further development of the organic sector. In particular, many measures of the Rural Development Regulation (e.g. investment, agri-environment, processing and marketing) can be targeted to promote organic farming.

The integrated rural development programmes required by the new system may facilitate a better balance between production and marketing support. These programmes combining the measures in the Rural Development Regulation have great potential to assist the development of the organic sector, and the conference strongly encouraged the member states to use this potential in partnership with the organic sector.

The conference recognised the potential of organic farming to grow from 2% currently to 5-10% of EU agriculture by 2005, but noted that the subsidiarity principle and resource constraints could lead to substantial differences in the level of support for organic farming between member states and that these issues would need to be kept under review.

Closing the conference, Austrian Agriculture Minister Molterer called for new impulses at the European level to maintain the growth of organic farming into the 21st century.

The main results of the conference are set out below:

1. Environmental effects of organic agriculture

The conference agreed that organic farming in general provides significant environmental benefits. These are now widely recognised by scientists, national authorities and by consumer, farming and environmental organisations on the basis of a

growing number of scientific studies. Benefits identified include a reduction of nutrient leaching, lower energy inputs and the conservation of soil resources and biodiversity.

However, large variations between individual organic farms can be identified, and the benefits of a few organic production sectors such as some forms of specialised poultry production systems are questionable.

The need for increased awareness of the environmental side-effects of farming practices and better training and advice for farmers was recognised, as was the need to prohibit the use of GMOs in organic farming in view of the concerns expressed about their potential impacts on bio-diversity. In order to ensure the environmental benefits of organic farming, an appropriate balance between positive incentives and restrictive standards is required.

2. Integration of production, processing and marketing

The key issue is to adapt the marketing of organic products to the needs and expectations of consumers e.g. by providing new outlets for organic food. In addition, the development of the markets for organic food in the different regions of Europe depends on more than just consumer attitudes to organic products and increasing the supply of organic products from converted agricultural holdings. Producers, processors, distributors and retailers need to increase the efficiency of processing and marketing.

The Austrian success story, including for example the development of internet marketing, has demonstrated the need for stronger partnerships between farmers and consumers in all marketing channels (including supermarkets), as well as increased co-operation between the producers and the processing and marketing sector.

Increased emphasis needs to be placed on support for local and regional production, processing (adding value) and marketing. The availability of financial support for these initiatives can contribute to more employment and rural development.

There is a need to review the overall level and allocation of funding going into organic farming and conventional farming, and to avoid anomalies within market regimes.

3. International trade, import and export

The contributions demonstrated the significance of international trade in organic products, but it was recognised that the statistical and other information about the situation of the markets (imports, exports and consumption) needs to be improved.

In order to meet sustainability objectives, unnecessary international trade should be

avoided, by harmonising domestic demand and supply in member countries. This should be achieved by guaranteeing the same high level standards on imports and by promoting the processing and marketing of organic products at local and regional level.

Equivalence is a concept recognised in WTO as well as in Regulation (EEC) No. 2092/91 which has to be applied to products coming from third countries. The need for a more complete set of criteria for assessing equivalence was recognised. This would permit more effective and more harmonised decision making by the member states in the framework of Article 11(6) of this Regulation. With regard to the implementation of the current EU import regime, the role of private accreditation bodies and international standards should be further explored.

As regards WTO, as trade in organic products will grow further, the WTO rules may become more important to solve possible conflicts in international trade. The next WTO round could be an occasion to consider preferential treatment for organic products.

4. *Regional strategies: meeting consumer demands*

The conference identified key issues concerning the imbalance between supply and demand in different countries and different perceptions of the benefits of organic food. There is a need for generic education programmes and for financial support to improve consumer awareness and understanding of the nature and benefits of organic food.

There is also a need for innovation in supply chain partnerships including dissemination of information about new models.

There was concern about possible conflict between the new EU logo and regional labels and the need to maintain GMO-free status of organic products in line with consumer expectations.

5. *Sustainable rural development*

The conference examined cases of regions, in particular marginal regions with low economic returns to agriculture, where organic farming, by introducing quality product lines which meet consumer expectations, contributes significantly to rural development. They indicate that in these regions organic farming is part of an integrated approach for rural development, where e.g. organic farming is also linked to rural tourism or the preservation of the environment.

The current structural policy also promotes organic farming in the context of regional programmes by supporting e.g. technical assistance, investments on the farm, collective investments on transformation, promotion, training and research on organic production,

processing and marketing. The approach of the new Rural Development Regulation will strengthen the approach to establish a consistent framework including measures related to organic farming which takes into account the strengths and weaknesses of the region concerned. These measures need to be supported by appropriate information, training and actions to avoid over-regulation to ensure success.

6. *Research and innovation in organic farming*

Research in organic farming plays a major role to improve the efficiency of organic production techniques and therefore supplementary resources should be provided for this.

Research priorities should focus on the development of new strategies to facilitate the assessment of environmental impacts and to explore the market potential of organic farming.

Technical research is needed with regard to e.g. the production of specific crops, ecologically favourable techniques, plant and animal breeding, control of plant and animal diseases.

The organisation of research should be focused on better co-ordination between researchers and better communication of results, in particular in a European perspective.

Conclusions

Taking account of the issues raised above, the conference calls on the farming sector, society, the EU, Member States, Accession Countries, and Regions in partnership, to continue and where necessary increase their efforts to stimulate the development of the organic sector, in particular:

- to examine the needs and potential for the organic sector on the basis of reliable statistical information
- to encourage the co-operation between producers and the processing and marketing sector to meet consumers' expectations and to improve economic returns in the sector
- to develop appropriate Rural Development Programmes with a strong organic component, taking account of the possibilities provided by AGENDA 2000 and the potential contribution of organic farming to policy goals
- to maintain a high level of credibility and integrity of organic production, by implementing high production standards and strict inspection requirements, and by effectively

communicating the objectives and principles of organic farming

- to give strong support to research and innovation in organic farming
- to facilitate an exchange of good examples of policies in different Member States and Accession Countries, and to consider the need for additional long-term strategic initiatives, in order to achieve a balanced and continued development of organic farming in Europe.

Annex A, paper 2

Organic Farming in the European Union – overview, policies and perspectives

Paper presented at the EU conference 'Organic farming in the European Union – Perspectives for the 21st Century', Vienna, 27-28th May 1999

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Abstract

The growth of organic farming in the European Union and the reasons for supporting organic farming are examined in the context of policy support for organic farming under EC Reg. 2078/92 (the agri-environment programme) and the structural measures (including the development by some countries of integrated action plans combining these measures). The potential for the future expansion of organic farming and the pre-conditions necessary for this to happen are considered in the context of the Agenda 2000 commodity measures and the Rural Development Regulation.

Introduction

Organic farming is increasingly recognised, by consumers, farmers, environmentalists and policy-makers, as one of a number of possible models for environmental, social and financial sustainability in agriculture. It has taken a long time to get this far. Organic farming's roots can be traced back more than 100 years. Certified organic production dates back 25-30 years (70 years in the case of Demeter-certified bio-dynamic production). Yet only just over two percent

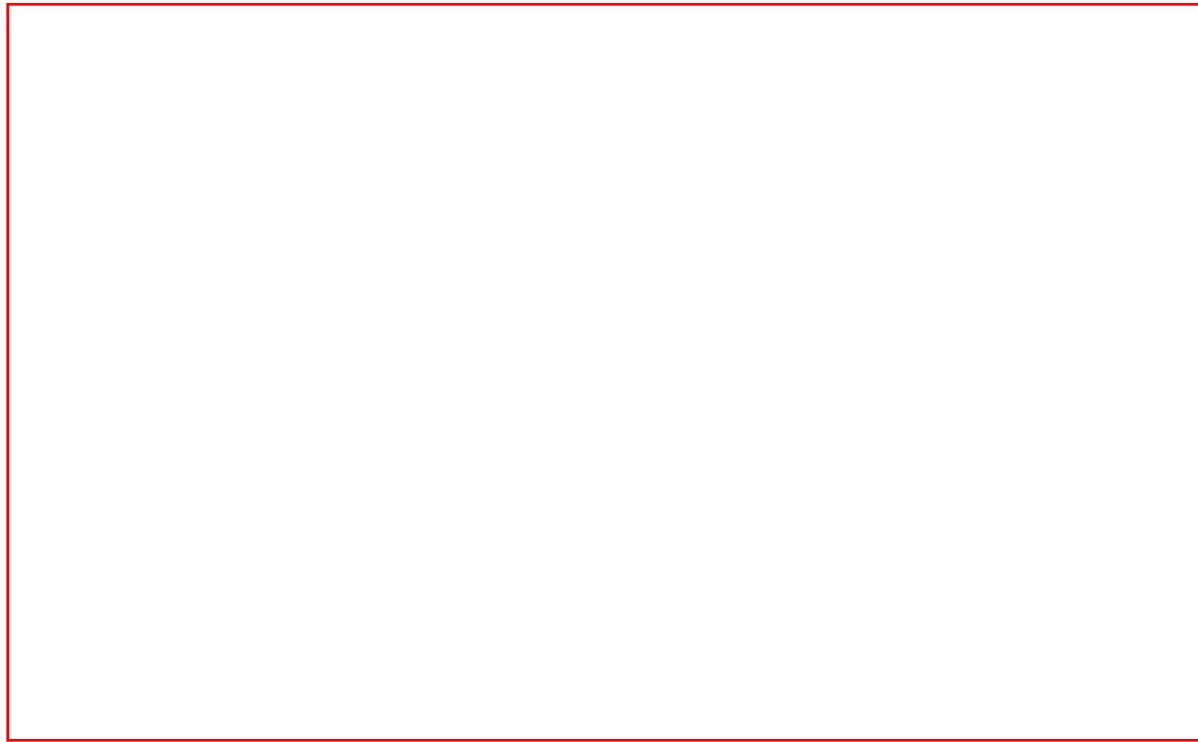
of agriculture in the European Union is organic, and much less than 2% in other parts of the world. Why the increase in interest now and what is its relevance to policy makers?

The growth of organic farming in the European Union

Recent years have seen very rapid growth in organic farming. In 1985, certified and policy-supported organic production accounted for just 100,000 ha on 6,300 holdings in the EU, or less than 0.1% of the total utilisable agricultural area (UAA). By the end of 1998, this had increased to more than 2.8 million ha on 113,000 holdings, nearly 2.1% of total UAA, a 30-fold increase in 13 years (unpublished data – Foster and Lampkin (1999) provide detailed statistics for 1993-1996). These figures hide great variability within and between countries. Several countries have now achieved 3-10% of their agricultural area managed organically, and in some cases more than 30% on a regional basis. But many others are still at or below the 1% level.

Alongside the increase in the supply base, the market for organic produce has also grown, but statistics on the overall size of the market for organic produce in Europe are still very limited. Recent estimates have suggested that the retail sales value of the European market for organic food was of the order of EUR 5-7 billion in 1998 (Datamonitor, 1999).





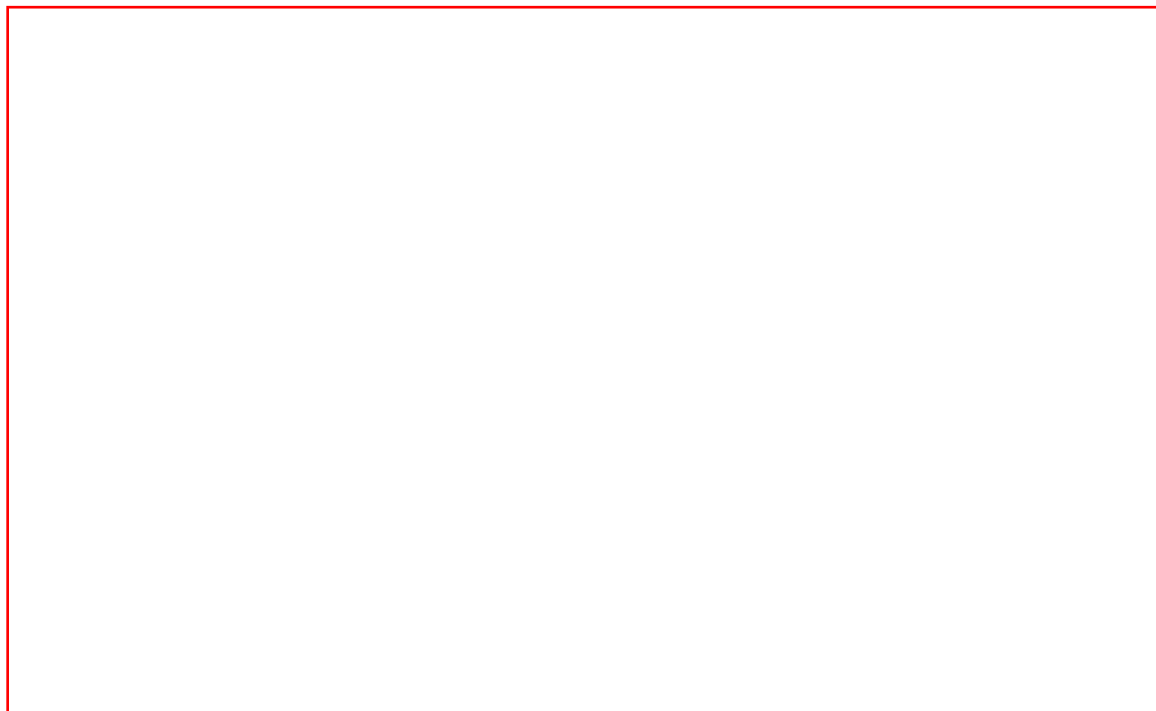
Factors influencing the growth of organic farming

Nearly 80% of the expansion in the land area has taken place in the last six years, since the implementation in 1993 of EC Regulation 2092/91 defining organic crop production, and the widespread application of policies to support conversion to and continued organic farming as part of the agri-environment programme (EC Reg. 2078/92). The former has provided a secure basis for the agri-food sector to respond to the rapidly increasing demand for organic food across Europe. The latter has provided the financial basis to overcome perceived and real barriers to conversion.

The increasing role of EU policy support of this type during the 1990s has arisen because of a gradual convergence of policy goals with the underlying objectives of organic farming, including environmental protection, animal welfare, resource use sustainability, food quality and safety, financial viability and social justice. Organic farming is also perceived to contribute to reducing problems of over-production. Organic farming offers three potential advantages over other, more targeted policy measures: it addresses all (or most of) these goals simultaneously, it utilises the market mechanism to support these goals, and it is recognised globally.

The agri-environment measures came into effect in 1993, although the majority of organic aid schemes under EC Reg. 2078/92 were not fully implemented by EU member states until 1996. By October 1997, more than 65,000 holdings and nearly 1.3 million ha were supported by organic farming support measures at an annual cost of more than 260 million ECU (Lampkin et al., 1999; Foster and Lampkin, 1999). Organic farming's share of the total agri-environment programme amounted to 3.9% of agreements, 5.0 % of land area and nearly 11% of

expenditure, the differing shares reflecting in part the widespread uptake of baseline programmes in France, Austria, Germany and Finland. There were wide variations between countries in terms of the significance of organic farming support, both relatively and absolutely, within the agri-environment programme (Figures 3 and 4).



Other EU policy measures which have been used to support organic farming in recent years include:

- support for marketing and processing activities and producer groups
- structural measures (Obj. 1, 5b, Leader)
- support for advice (usually as state aids) and demonstration programmes
- support for training activities (usually under 2078/92 or national programmes)
- support for research (under the EU Framework and national programmes).



In some countries, notably Denmark, Sweden, Finland, France, the Netherlands, parts of Germany and most recently Wales, these measures have been integrated with agri-environmental payments to create 'action plans' for the development of the organic sector. These action plans usually contain targets for the growth of the organic sector, and in many cases contain innovative proposals for involving local authorities and the private sector, based on in-depth analyses of specific problem areas and potential solutions.

A full review of the policy and regulatory environment for organic farming in the European Union, including all the measures described above, is contained in Lampkin et al., 1999.

Potential for widespread conversion

Although growth trends in individual countries have varied considerably, with periods of rapid expansion followed by periods of consolidation and occasionally decline, overall growth in the European Union has been consistently around 25% per year for the last ten years, i.e. exponential growth. There is no indication yet of this rate of growth declining. Similar growth rates are reported for organic farming in the United States. If these growth rates are projected forward to 2010, this gives some indication of the potential significance of organic farming within a relatively short period. Assuming a starting point of 2.0 % of EU agriculture in 1998, continued 25% growth each year would imply a 10% share by 2005 and nearly 30% by 2010. A slower rate of growth of 15% each year would still result in just under 5% by 2005 and 10% by 2010. 10%, whether achieved by 2005 or 2010, may still be a small proportion of the total, but it is very significant in absolute terms. It represents nearly 15 million ha and more than 600,000 farms, almost equivalent to the share of the United Kingdom within EU agriculture.

This level of growth has tremendous implications for the provision of training, advice and other

information to farmers, as well as for the development of inspection and certification procedures. It also has major implications for the development of the market for organic food, as it progresses from niche to mainstream status, with a likely retail sales value in 2005 of EUR 25-35 billion.

Pre-conditions for widespread conversion

Projections into the future based on past performance are not sufficient to realise the potential of organic farming. There is no guarantee that the rates of growth seen in the past will continue, and the normal expectation would be for rates of growth to decline eventually. A better understanding of the factors lying behind the growth of organic farming, and in particular the differences between countries, is needed. This will be a key focus of work to be carried out this year by colleagues in Aberystwyth, Denmark and Italy as part of our EU-funded research on organic farming and agricultural policy. Zanolli (this volume) also addresses some of these issues.

In many respects, the development of organic farming has parallels to the traditional adoption-diffusion model for the adoption of innovations (Padel, 1994). Over time, the individualistic and socially-isolated innovators or pioneers are followed by the early adopters typified as community opinion leaders, to be followed in turn by the majority of farmers. In many countries, including the UK, this shift can be clearly seen. However, the rate at which this change takes place depends on the complexity of the innovation, and the adoption of organic farming is clearly a complex innovation.

The adoption-diffusion model does not seem to explain why the development of organic farming may be characterised by periods of stagnation followed by very rapid growth, as has been seen in several countries. A possible explanation for this is that farmers need to perceive the *need* to change before significant change will take place. A period of financial prosperity, as UK farmers experienced between 1992 and 1995 due to the CAP Reform package combined with the low value of the pound, was clearly not the basis for change. The reversal of circumstances since 1996, with the BSE crisis, the high value of the pound, and falling prices and agricultural support levels, has changed this perception dramatically. Similarly unsettling circumstances have arisen in other countries, for example in eastern Germany following re-unification, and in Austria on accession to the EU, leading to large increases in the number of farms converting.

The perception of the need for change has to be accompanied by a conviction that organic farming is a suitable alternative. This requires a high degree of confidence building because of the perceived financial, social and psychological barriers to conversion. It is not simply a case of 'more profits = more farmers' as some might argue. Our preliminary assessment of this issue indicates that four key factors are involved: policy signals from government and other policy-related institutions; market signals from consumers and the food industry; access to

information; and the removal of institutional blockages or antagonisms. In the UK case, it seems clear that each of these has been problematic at some point in the last decade. However, the changes that have taken place in all four areas over the last two years mean that the UK is now poised for substantial growth.

Assuming that this analysis is correct, it provides a new basis for future policy development to encourage organic farming, particularly in the context of Agenda 2000, with a focus on integrated action plans rather than single measures like the organic support schemes under the agri-environment programme.

Agenda 2000

Agenda 2000 (Agriculture Council, 1999; Berlin European Council, 1999; EC, 1998 & 1999) deals with the next policy planning period 2000-2006. The proposals have been drawn up against the background of the accession of new EU member states, particularly from Central and Eastern Europe (CEE), raising serious concerns about increased surpluses and costs of support. There is also a need to meet current and future WTO commitments, with the emphasis on removing production subsidies and facilitating global trade. In addition to these financial and political pressures, social and environmental issues continue to play a key role in the development of rural policy.

For commodities, there will be further intervention price reductions together with corresponding (although less than fully compensating) increases in direct payments. Eventually most crops and set-aside land will be supported at the cereals rate, although a higher area premium will be payable for pulses. Area payments for maize, including maize for silage, are to be retained. Potentially of more interest to organic producers is a new grass silage area payment option (based on cereals reference yield) which can be applied by member states 'where maize is not a traditional crop'. The extension of this concept to all organic farmers could be beneficial as an alternative to using set-aside payments to support the fertility-building phase of the rotation.

To the extent that the Agenda 2000 proposals for arable crops represent a continuation of the CAP Reform process begun in 1992, then the developments are likely to be favourable for organic farming. There remains a case for organic farmers to be exempted from compulsory set-aside, while remaining eligible for voluntary set-aside. The reduced rate of area payment for set-aside, however, may make it less attractive as a support mechanism for the fertility building phase of organic stockless rotations or during conversion.

Beef support prices are also to be cut, accompanied by revisions to the intervention and safety net arrangements. Beef special premium and suckler cow premium payments will be increased and a new slaughter premium is to be introduced. The extensification premium for low stocking rates would be increased, but would in future be calculated on the basis of total numbers of cattle, rather than those actually claimed for as at present. In some member states, a modified

version of the previous extensification scheme may be implemented. This involves lower levels of payments for producers with stocking rates above 1.4 LU but below 2.0 LU (1.8 LU from 2002) and could be particularly useful for those organic producers who would no longer be eligible under the stricter rules.

Part of the funding for direct payments will be allocated to 'national envelopes' for member-state governments to distribute according to local needs, either as an additional headage payment to supplement the suckler cow premium, as a supplement to the slaughter premium, or as an area payment. In some cases, resources in the national envelopes could be used to support particular production systems, for example organic beef production.

Reforms to the milk regime will not be introduced until 2005/06. The quota regime has been extended until 2006, with a mid term review to decide on the possibility of abolishing quotas in 2006. In the meantime, specific quota increases are to be applied in a number of member states. Across many sectors, the issue of quota constraints limiting the expansion of organic production is an important issue. Some countries already give priority allocations of milk, beef and sheep quotas to organic producers – this concept could be extended more widely.

In addition to the regulations proposed for individual commodities, a horizontal regulation applying across all commodities is designed to establish minimum levels of environmental cross-compliance and to allow member states to vary payments on the basis of labour usage by farms. To the extent that organic farmers are less likely to contravene any environmental cross-compliance requirements and might benefit from any additional payments relating to higher labour use, this regulation is also potentially advantageous to organic producers.

Rural Development Regulation

Potentially the most important Agenda 2000 proposal is that to consolidate all existing agri-environment, rural development and structural policies into a single rural development regulation, to be implemented through single programming documents (Rural Development Plans) developed by member states. The revised draft regulation (EC, 1999) makes specific reference to the increasing demand for organic products and the resulting creation of a new market for agricultural products, stating that specific rural development support measures may contribute to the production and marketing of organically produced agricultural products.

The rural development regulation consists of nine chapters covering investment aids, young farmers, training, early retirement, less favoured areas, agri-environment schemes, processing and marketing of farm products, forestry, and the adaptation and development of rural areas. Most of these emphasise economic, environmental and animal welfare objectives that are fully compatible with organic farming.

In particular, the agri-environment measures will provide support for agri-environmental

undertakings 'which go beyond the application of usual good farming practice' and it is envisaged that this definition would normally include organic farming. Also of significance are the proposals concerning less-favoured areas where the emphasis is on support for low-input (sustainable) farming systems with stronger links to environmental factors. The nature of 'sustainable' farming practices will need to be defined in each area, but it may be possible to give specific recognition to organic farming in this context.

By integrating most of the measures discussed in this report into a single regulation, and by requiring member states to produce customised rural development plans, the proposals have significant parallels to the 'action plans' for the development of organic farming discussed in the previous section. The draft regulation provides a significant opportunity for the development of integrated action plans that combine agri-environmental and less-favoured area support with investment aids, processing and marketing support, and training and advisory initiatives. In some regions, these action plans may be reinforced by actions under the structural measures (Obj. 1, 2, 3 and LEADER).

The policy challenge

In this paper, it has been argued that the potential for the widespread adoption of organic farming is good, and certainly better than commonly supposed. Yet, apart from the preamble to the revised Rural Development Regulation, organic farming is not specifically mentioned in the Agenda 2000 regulations, and the impact of a significant expansion in organic farming does not yet form part of the analysis underpinning the main commodity measures.

Member states will have more responsibility than previously for the implementation of Agenda 2000 measures. In some countries, with the constructive involvement of the organic sector, this will lead to full use of the range of support measures available. In others, there may be less support than at present. This will, as now, have significant implications for trade between member states, with likely distortions to the level playing field which EC Reg. 2092/91 was designed to create.

The limitations on resources available under the Rural Development Regulation are such that a rapidly expanding organic sector supported solely from this source risks becoming a 'cuckoo in the nest', taking resources away from other worthwhile agri-environment and rural development projects. Organic farming support may therefore be subject to capping limits, deterring new entrants.

As a consequence, serious consideration needs to be given to using the Agenda 2000 mid-term review that now seems almost inevitable in 2002/03 to review funding allocations to the Rural Development Regulation and to examine mechanisms for supporting organic farming under the main commodity measures, for example through set-aside and quota derogations as well as higher payments for organic production of supported commodities.

At the same time, any policy interventions need to be carefully implemented, with full consideration for the needs and potential contribution of existing organic producers, in order to maintain an appropriate balance between policy support and the market, i.e. between taxpayer and consumer willingness to pay for the non-market benefits of organic farming, and in order to achieve sustainable and balanced growth in the organic sector.

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The Rural Development Plan for Wales 2000-2006: a further consultation paper

- a response from the Welsh Agri-Food Partnership's Organic Strategy Group

1. While we recognise the potential for complementarity with the structural measures, we are very concerned about the **low levels of funding** implicit in the EAGGF UK allocation of EUR 154 million per annum for the Rural Development Regulation (p. 3). We cannot see how it will be possible to maintain existing spending commitments, let alone extend them, under these resources constraints. We accept that there will be a need to prioritise, but we believe that every effort should be made to secure additional EU and national resources to support measures under the Rural Development Regulation.
2. We welcome the emphasis on the potential **contribution of organic farming** to the Rural Development Plan, not only in view of its relevance to improved marketing of agricultural policy and rural development, but also because of the contribution that organic farming can make a) to conserving the natural environment through positive management and b) to helping land-based industries become more sustainable environmentally and economically (p. 7).
3. However, we regret that the opportunity has not been taken to develop a specific **integrated action plan** for organic farming as a separate chapter in the Rural Development Plan, which would combine the relevant agri-environment, LFA, marketing and processing and other measures (including support for training and young farmers (see below)). We would welcome the opportunity to develop this idea further, given that the basis elements are already in place.
4. We believe that there is considerable scope for **integrating tourism and agricultural activities** (p. 8), in particular through encouraging agri-and eco-agri- tourism (including organic farming related activities) alongside eco-tourism. In more general terms, creating a positive consumer perception of Welsh agriculture, in particular with respect to environmental and animal welfare issues, through a network of 'open' farms and other agri-tourism related activities, will assist with the generic branding and marketing of Welsh produce.
5. Given the constraints on resources, we are in general agreement with the **priorities** for use of EAGGF funding (p. 12). However, organic farming is proving to be of significant interest to **young farmers**, so that some linkage should be made if the measure to assist young farmers is introduced. The issue of an **early retirement** scheme is not specifically of concern to the organic sector, although it is clear that organic farming can provide opportunities for producers to stay in business, reducing the (short term) need for such a scheme.
6. We also believe that voluntary **training** in environmental protection and good organic

farming practice, particularly in the early stages of conversion to organic farming, is critical. There is also a need for training of advisors, inspectors and others working with organic producers. If support for training is not possible through the Rural Development Regulation, then it must be addressed through the structural measures, and in particular Objective 3 funding to be available on an all-Wales basis.

7. We welcome the emphasis given under the **agri-environment measures** to the Organic Farming Scheme alongside Tir Gofal (p. 13). However, the **environment benefits** of organic farming are not limited to the consequences of a return to mixed farming systems – they also include the impacts of reduced pesticide use, reduced nutrient inputs and lower stocking rates, as well as the specific requirements of organic production standards and the Organic Farming Scheme itself. There is now considerable research evidence in support of these benefits and we believe that the document should give them greater recognition.
8. We are concerned that **insufficient funding** is being allocated to the Organic Farming Scheme, particularly in the context of the Action Plan target of 10% of Welsh Agriculture managed organically by 2005.
9. We recognise the scope for **combination** of the two schemes, but we believe that more emphasis should be given to this potential. For examples, farmers joining the Tir Gofal scheme should be made aware of the marketing opportunities that would come from the relatively small additional step of conversion to organic production, possibly with the addition of a Tir Gofal identifier on product labels. There is a need in the short term to address the issue of reductions in support due to **dual-funding**, as it is still unclear what dual-funding arrangements will apply to some of the higher tier provisions. In the longer-term, subject to sufficient funding being available, the potential for **full integration** of the two schemes should be explored.
10. We have responded separately on the proposals for area-based **compensatory allowances** in the Less Favoured Areas (p. 13). On the basis of organic farming's objectives and principles, we welcome the move to area-based payments and the inclusion of an environmental element to the payments, both of which are envisaged by the Rural Development Regulation. We also welcome the proposal that organic farmers not in the Organic Farming Scheme would qualify, but we believe that organic farming should on its own be a sufficient criterion to qualify for this additional support.
11. We believe that, given the limited resources available, support for **afforestation** of agricultural land (p.14) should be focused on areas where there is significant environmental, animal welfare or agricultural benefit, for example the provision of effective shelter belts.
12. Of the all-Wales measures, we believe that **priority** should be given to the measures having greatest impact on agriculture, specifically the agri-environment and LFA measures.
13. Of the measures only available in East Wales, we believe that priority should be given to the measures for improving the **processing and marketing** of agricultural products (p.15), in particular to ensure complementarity with other regions covered by the Objective 1 and 2 structural measures. We welcome the emphasis given to organic

farming in this context, although we would reiterate our view that the environmental benefits of organic farming are wider than indicated here. Within this particular measure, we believe that organic farming projects should be given high priority for funding.

14. Under the measures concerning the **adaptation and development of rural areas** (p.15), we believe that there is considerable potential to link organic farming to other activities, which would contribute to a) diversification of agricultural activities and b) encouragement of craft and tourist activities (see para. 4 above). This integrated approach to rural development, including an organic farming element, has been pursued successfully in a number of community-led LEADER projects in Wales and on the Continent, and these projects could provide a model for similar projects under this heading. However, we would see these measures having **lower priority** than the processing and marketing measures.
15. We accept the case that support under the adaptation and development measures should be concentrated on communities located in areas that fall outside the Objective 1 and 2 boundaries.
16. We see some merit in supporting **woodland management**, afforestation of non-agricultural land **and marketing of forestry products**, but we believe strongly that such support should be **linked to certification** under the UK Woodland Assurance scheme or the Forest Stewardship Council scheme, to ensure that sustainable management and environmental protection standards are maintained. We see this measure has having lower priority than the processing and marketing support.

Annex A, Paper 4

Agenda 2000 CAP Reform: Proposed Area-based Compensation Scheme for LFAs

- **a response from the Welsh Agri-Food Partnership's Organic Strategy Group**

1. We recognise the social nature of the compensatory payments in the Less Favoured Areas, but from the perspective of organic farming objectives and principles, we believe that it is **important to include an agri-environmental element**. The shift from headage to area-based payments, and the proposed top-up payments for environment management, are important first steps in this regard and reflect the requirements and spirit of the Rural Development Regulation.
2. We can see some merit in the proposed **Element 1** (area payment differentiated by type of production), although we are not certain whether this will prove acceptable to the Commission given the requirement in the Regulation not to link area-based payments directly to historical headage payments. It is therefore difficult to argue that a substantially higher proportion of the payment should be linked to Element 1.
3. The advantage of the Element 1 proposal is that it overcomes the problems posed by the presence of non-eligible livestock enterprises on the farm (e.g. dairy, deer) when converting to area-based payments on forage utilised by all enterprises. This is

important if area-based payments are not to create financial barriers to structural change in farming systems.

4. However, it is not clear whether the payments will be calculated on the basis of all farm hectares, or only the IACS-registered forage hectares. Our preference would be for the **whole farm area** to be included in the calculation, so that payments are not subsequently affected by changes in the balance between arable and forage crops in mixed farming systems. If payments were linked to forage area only, this would conflict with one of the options in Element 3.
5. The formula for the calculation of Element 1 appears to be **administratively complex**, but we imagine that the information required is contained in previous IACS returns, so that the administrative resources required for the calculation would be relatively small. However, farmers will require appropriate guidance to help them estimate the implications for their own holdings.
6. The selection of the **base year** will be important since farmers may have adjusted stocking rates in response to the current crisis or as part of the process of conversion to organic production. The use of 1998/99 as a base year might disadvantage these producers unfairly. Therefore it might be sensible to use 1995/96, or the period 1995/96-1998/99, or the 'best' year of the three, as the basis for calculating the payments.
7. The longer term implications of the proposal for Element 1 are potentially more serious with respect to **land transfers** between farms, as it is possible that different parcels of land on a holding may end up attracting different rates of payment.
8. The proposal to reduce the emphasis on Element 1 progressively to 2003 will help farmers adapt to the environmental requirements and may contribute to resolving the land transfer problem, but it may be that Element 1 needs to be phased out completely or replaced by another basis for payment which is more closely related to the productive capacity of the land.
9. We agree with the proposal for a differentiated payment for Disadvantaged and Severely Disadvantaged Areas (**Element 2**), although as no payment is suggested, we are unable to comment on the level of the proposed payment. This will clearly need to become more important in the longer term as the emphasis on Element 1 is reduced.
10. **We support the proposal for an environmental top-up (Element 3) and welcome the inclusion of organic farming as one option in this package.** While we see some merits in requiring more than one option to be undertaken to qualify for this payment, we believe that organic farming goes much further in terms of its environmental contribution (and the requirements of organic production standards) than any of the other options and that **organic farming should on its own be a sufficient criterion to qualify**. It is likely that organic producers would in any case achieve some of the other criteria, but individual farms vary considerably and we would not like to see some organic farms excluded for failing to meet the other criteria.
11. We would support the extension of the list of **qualifying options** under Element 3, in particular we would support a criterion based on a percentage (5-7%) of non-cropped/stocked habitat, such as woodland or other wildlife habitat, on the farm. We recognise that it would not be possible to include existing measures supported by either Tir Gofal

or the Organic Farming Scheme as dual-funding rules would lead to corresponding reductions in these payments.

12. We do not wish to comment specifically on **common land** issues, although if the management of common land is such that it qualifies for organic certification, then we see no particular reason why it should not also be eligible for area-based compensatory payments, including Element 3, on administrative grounds.
13. We accept the need for **environmental cross-compliance**, including animal welfare, and we support the proposals relating to the Codes of Good Agricultural Practice as these are fully compatible with good organic farming practice.
14. We recognise the problems funding the Rural Development Plans, including the LFA scheme, in Wales as elsewhere in the UK. **Modulation** may be a necessary option to achieving this, but we believe that further efforts need to be made to review and increase the UK share of EAGGF funds for the Rural Development Regulation.
15. We also recognise the potential merits of **tapering**. If tapering is to be applied, from an organic farming perspective, the proposal not to apply it to the environmental element is desirable. However, we recognise the argument that many large farms are based on partnerships, whose individual elements may be similar in size to smaller farms, and that they would be unfairly penalised by such proposals. We would therefore welcome a re-examination of the potential for a **labour-based system** for prioritising the funds under this measure.

ADAS Pwllpeiran

Setting Production Standards

Historically production standards have been set by the certification bodies, the United Kingdom Register of Organic Food Standards (UKROFS) and the EU. For a number of reasons the development of standards has been uneven and this means that standards for arable, horticulture and dairying are further developed than they are for upland grassland farming (see for example standards on weed control). With increasing numbers of upland beef and sheep farmers considering conversion to organic production it is important that standards are developed that meet the issues posed by upland farming systems (e.g. common grazing on open moorland; away wintering of ewe lambs). In particular the current implementation of EU Livestock regulations in the UK by UKROFS needs to take into special account the situation of livestock farming in peripheral and upland areas of Wales.

It is important that an organisation like ADAS can communicate information gathered in the course of research, advisory and consultancy work into the standard setting procedures of the

certification bodies. An appropriate forum is now in place for all Certification Bodies to be represented.

The five Certification Bodies in the Organic Livestock Standards Liaison Group (EU Livestock regulations) are: The Soil Association, Organic Farmers and Growers, Scottish Organic Producers, Bio-Dynamic Agricultural Association and Organic Food Federation. ADAS is also involved and offers experience and advice in organic management in the uplands. The EU Livestock Regulations (EC - No. 1804/1999) supplement the existing organic regulations (EC - No 2092/91) and legally come into force on 24 August 2000. The main aims of the Liaison Group are:

- 1) To agree on a unified standard; meeting the minimum standard laid down in the regulation. On many points the agreed standard will be higher than the regulation. Where standards are not agreed UKROFS will decide the minimum standards.

- 2) To present a report from the group to UKROFS before the end of January.

Inspection and certification

The main responsibility for inspection and certification of organic producers and processors lies with UKROFS and the certifying bodies. From our advisory and consultancy work it is clear that there are two issues that need to be addressed. First, there is the need for uniformity among the certification organisations. The setting up of UKROFS by MAFF in 1987 to be the UK certifying authority for organic foods was meant to guarantee uniformity; unfortunately the existence of 5 certifying bodies, some with differing standards is confusing for farmers and could result in a multi-tiered system. This leads to the second issue, should there be a Welsh certifying body as there is in Scotland and Ireland ? (Scottish Organic Producers - *SOP*, Irish Organic farmers and Growers Association - *IOFGA*).

A Welsh certification body for organic food production would be welcomed by many groups within Wales, it could help give Welsh organic produce a distinct marketing profile, and it could provide the forum for developing standards mentioned above. On the other hand, the cost of setting up a Welsh certification body may be prohibitive and Welsh identity could be maintained by suitable labelling and efficient marketing co-operatives.

Dissemination of Good Practice

ADAS is involved in the dissemination of good practice for organic farming through its research farms; the Welsh Organic Conversion Information Service (OCIS); the Cambrian Organic Group (COG) and its Commercial Consultancy service.

ADAS has three experimental farms with organic units, Terrington - a stockless arable farm, the upland beef and sheep farm at Redesdale, and Pwllpeiran in west Wales.

Organic Work at ADAS Pwllpeiran Research Centre

Conversion of 111 ha of the Pwllpeiran Research Farm started in 1993 with financial support from the Countryside Council for Wales and the Development Board for Rural Wales. The objective is to develop a beef cow and sheep system complying with both UKROFS standards and ESA management prescriptions.

The development of the unit has continued via the EU Objective 5b programme and two Project Officers have been appointed to encourage the uptake of organic farming by providing technical and marketing support to prospective producers. This includes delivery of free on - farm advice in Wales through the Organic Conversion Information Service (OCIS) which is managed by ADAS on behalf of NAWAD.

Monitoring of the organic unit at Pwllpeiran contributes to this programme by providing information on the environmental benefits, livestock performance and health, and financial performance of the organically farmed unit.

The Cambrian Organic Group.

The Cambrian Organic Group (COG) is organised by ADAS Pwllpeiran. It has been funded by two European 5b projects:

Developing organic farming in the Uplands of Wales (ended 30/09/99)

Developing infrastructure for organic farming in Wales (ends 31/12/01).

COG assists in the promotion of good practice in organic farming through a programme of events: farm walks, talks, seminars and courses; the COG Newsletter is a vital link between producers and organisations in Wales and provides technical information, organic news updates, advertisements (wanted and for sale) and other important information.

The development of regional producer groups in Wales is central to all other functions. Two additional group organisers are currently being appointed to facilitate the development of six local producer groups throughout Wales.

ADAS OCIS database

ADAS are contracted by NAWAD to manage the Welsh Organic Conversion Information

Service (OCIS). A database of all OCIS enquiries is maintained by ADAS for NAWAD and is the primary source of data about conversions to organic farming in Wales.

Since the OCIS scheme started in October 1996, over 1900 farmers in Wales have made enquiries about converting to organic production, sixty percent have taken advantage of the half day free on-farm advisory visits, and 30% have also had a second follow up visit. The database holds information on the location, size and type of all these farms. Analysis of the database could provide information on the rate of take-up of OCIS by sector, size of holding, region and the potential rate of application for the Organic Farming Scheme for Wales. Further investigations could examine the value of OCIS as perceived by recipient farmers; and the extent to which OCIS visits helped identify key issues for them and helped to clarify problems and identify solutions.

ADAS Cambrian Organic Group (COG) database (5B Project)

ADAS also hold a full database of all COG members. This includes any enquirers, organic holdings and other interested organisations and people interested in being included. The Cambrian Organic Group Newsletter is sent to it's all members (currently 2094) every 2 months.

Promotion and Marketing of Organic Food

Wales has been in the vanguard of promotion and marketing of organic food, though the problem of uneven development has hindered progress. At times, major companies have therefore found it necessary to import produce from outside Wales in order to meet demand. Welsh produce often fails to find adequate marketing infrastructure.

Financial help for producers through the Organic Farming Scheme for Wales needs to be paralleled by the development of a marketing infrastructure that will give long term confidence to farmers and growers converting to organic production. The Cambrian Organic Group and the Developing Infrastructure for Organic Farming in Wales EU 5b project described above hope to collaborate with WDA and their EU 5b project to help address this issue.

Wales Consumer Council

ORGANIC FOOD

The term grown 'organically' means that it is grown 'naturally' without the aid of artificial fertilisers or pesticides, and it is a quality food rather than a mass-production food. Years ago people were self-sufficient and could survive on crop farming and livestock production.

On June 24th, 1991 rules were laid down on organic production of agricultural products. All producers, processors and importers who market organic foods have to register with the authorities and must be inspected and certified.

The United Kingdom Register of Organic Food Standards [UKROFS] was also set up in 1987 to set standards for organic production and to establish and register those complying with the standards. The UKROFS standards defines Organic farming as,

" Organic production systems are designed to produce optimum quantities of food of high nutritional quality by using management practices which aim to avoid the use of agrochemical inputs and which minimise damage to the environment and wildlife." Its organic production principles are:

☒ Working with natural systems rather than seeking to dominate them

- The encouragement of biological cycles involving micro-organisms, soil flora and fauna, plants and animals

☒ The maintenance of valuable existing landscape features and adequate habitat for the production of wildlife with particular regard to endangered species.

- Careful attention to animal welfare considerations

- The avoidance of pollution

☒ Consideration for the under social and ecological impact of the farming system

4.2 "Do you buy organic food which is free from fertilisers and weed killers?"

Chemicals are also used in the production of fresh foods, as fertilisers are used to increase crop yield, poison to kill weeds, sprays used to kill insects and fungi, and chemicals are sometimes used to enhance the appearance of fresh produce in shops. Organic food is grown

naturally and is free from these artificial chemicals.

According to The Ministry of Agriculture, Fisheries and Food [MAFF] organically grown foods still account for about 1% of the food consumed in the UK, but consumption has been steadily increasing in both the UK and in other European Countries since the 1980s. The National Farmers Union estimates that the UK market for organic food is increasing at a rate of more than 20% a year.* In early 1998, organic baby food accounted for 10% of overall baby food sales in the UK.**

Our survey shows that Consumers interest in organic food is strong, as many consumers see it as a wholesome, healthy and natural product that is also beneficial to the environment. Nearly half of the respondents in 1997 reported that they were buying organic food, but the number has decreased to 33% by 1998.

4.2.1 Location of Interviews

Area	Yes		No		No opinion	
	1997	1998	1997	1998	1997	1998
South	46%	28%	54%	66%	-	5%
Mid & North	52%	40%	48%	58%	-	2%

A frequent complaint has been that organic food is difficult to get hold of and often expensive to buy, although more and more supermarkets are stocking a wider range of organically grown produce these days. There is a greater demand in North Wales, 52% as compared to 46% in the South, but this could be due to the availability of organic food.

4.2.2 Age distribution

1998	Yes	No	No opinion
15-24	27%	62%	11%
25-34	34%	64%	2%

35-44	32%	65%	3%
45-54	42%	55%	2%
55-64	39%	57%	3%
65+	25%	3%	6%

People between 45-54 are the most likely to buy and people over 65 and under 24 were the least likely.

4.2.3 Social class distribution

1998	Yes	No	No opinion
AB	52%	47%	1%
C1	33%	62%	4%
C2	32%	66%	2%
DE	28%	65%	7%

There is a steady decline within the social classes as over half of class AB can afford to buy organic food and only 28% of class DE.

Price is one of the main deterrents with organic food, but those who regularly buy organically produced food claim that it generally tastes better.

* *National Farmers Union, Focus on Organic Farming, March 1997*

** *Babyfood Organix, a major UK organic babyfood manufacturer*

4.3 " Would you buy organic food if it was less expensive and easier to find?"

Organic food is available in most large supermarkets these days, or from family run health food stores. Around 70% of the organically produced food we eat in this country is imported from other EU countries or from other third world countries*. Organic food is usually about 20% more expensive than conventionally produced foods. This is mainly because organic techniques are more labour intensive and yield may be lower. Supply cannot be guaranteed and it depends on the season, yet Sainsburys launched an advertising campaign on Television in July 1998, stating that it had increased its range of organic produce by 100%.

4.3.1

	Yes	No	No opinion
1997	81%	15%	4%
1998	68%	19%	13%

There is a strong interest among consumers in the greater availability of organic food at competitive prices, 81% in 1997 and 68% in 1998. Although we might have expected that the interest in organic food might have increased as a reaction to BSE, E. Coli and chemical additives in processed foods and drink, the demand has decreased. 68% of people in the South and 66% of the population in the Mid and North would buy organic food.

4.3.2 Age distribution

1998	Yes	No	No opinion
15-24	53%	26%	21%
25-34	77%	12%	11%
35-44	73%	16%	11%
45-54	72%	17%	11%
55-64	74%	18%	8%
65+	57%	27%	16%

People between 25-34 years of age seem to be the most likely to buy organic food, with over three-quarters of people showing an interest. Surprisingly the young people between 15-24 are the least likely with just over half expressing a positive attitude, but most individuals from this age group possibly wouldn't buy food themselves.

4.3.3 Social class distribution

1998	Yes	No	No opinion
AB	78%	14%	8%
C1	68%	17%	15%
C2	69%	19%	12%
DE	64%	21%	14%

Looking at social groups, again we see differing attitudes. 78% of the AB class would be prepared to buy organic food and only 64% of the DE class. Class DE probably have lower incomes and therefore may not be able to afford organic food.

Country Landowners Association

Consultation on Organic Farming in Wales

The CLA responded to the Sector Working Groups consultation documents, and in general agreed with the analysis. However assurance that organic farming is a viable, economic opportunity in Mid-Wales will depend not only on market-led demand for the product, but more importantly at the outset, on commitment by Government to provide adequate funding for conversion. The CLA is concerned that the level of funding of the Organic Aid Scheme is inadequate to meet the growing demand for organic produce throughout the Country. This means that Welsh farmers are disadvantaged in that potential markets, which they could

supply, are being taken by other EU Countries, where growers have been better supported. The CLA believes that Wales is well suited to organic farming, and that it would offer marketing advantages which are so badly needed. This potential can only be realised with more initial marketing assistance from Government.

The long-term ability to profit from organic farming will be a matter for individual farmers and entrepreneurs who take up that challenge. The issue of production standards, inspection and certification is something the UKROFS (United Kingdom Regulations for Organic Foods Standard) and legitimate registration bodies must sort out.

The strategy of the Food Programme, as with the other sectors, should be one of identifying future growth areas in market/consumer trends, and encouraging and stimulating appropriate activity to meet them, bearing in mind that as the supply increases the product will become increasingly price competitive. The role that Government could play is in funding research to identify key growth areas, and more importantly creating a framework of incentive that encourages small and medium size entrepreneurial activity. That framework should include a planning system that is positive and enabling, and regulation that is kept as a last rather than a first resort, in conjunction with a Capital and Income Tax system that simulates enterprise.

Currently, the barriers to the entry and the operation of new businesses in the food sector provide little incentive, as exemplified by Meat Hygiene Services Charges and the proliferation of environmental and welfare regulation. The regime that is drawn up is counter-productive.

WALES YFC VIEWS ON ORGANIC FARMING

With the agriculture industry currently encountering difficulties, and the lack of career opportunities in the rural areas, it is vital to ensure that young people have a future by ensuring

that all organisations involved work together to facilitate career options as well as provide a support network.

Organic farming is one career option for young farmers, although very few farmers in Wales currently farm organically, the consumer demand for products is dictating that the market is set to increase sharply over the next few years.

Although Organic Farming will not be the option for all young farmers, for others it could evolve into a successful livelihood, and it is essential to ensure that interested individuals receive the support needed.

The organic sector, more than any other, suffers from a lack of understanding about what real potential exists for current producers if they decide to convert their farms to organic units. The long conversion periods, coupled with a lack of confidence in whether higher product prices will outweigh lower productivity leads many to be a little cautious. Members of the YFC movement, however, are convinced that the production and processing of organic produce must be an option for some farmers who want to venture in that direction.

YFC suggested the need for a co-ordinated approach of the following issues:

1. ADVICE / TRAINING / RESEARCH

A co-ordinated approach of advice / training and research by all organisations involved in Organic Farming is essential.

The need for continual research is also important to ensure that the products are produced safely, economically, to the highest standard possible in order to answer consumer demands.

Training for all involved in Organic Farming is required, on an on-going basis, from producers to processors. Information for school careers would also be very beneficial as a way of introducing organic farming as a real career option for future farmers.

We believe that the advisory system would be enhanced by a mentoring approach for those young farmers who wish to examine the possibilities within organic farming. This recognises the fact that young farmers would benefit from advice taken from those with real life experience of organic farming.

1. **MARKETING**

The marketing work for the organic sector should be specifically targeted, based on good market research, and should lie comfortably with marketing campaigns for other food produce from Wales.

As with other sectors, it would be ideal if the agriculture industry could take responsibility for the processing and marketing of its own produce, and efforts should be made to further encourage co-operation between organic producers in all market development issues, including product development, market research and promotion.

● **DELIVERY MECHANISMS**

Organic producers themselves need to take responsibility for all aspects of the delivery, if the chances of success are to be enhanced. The producers must not make similar mistakes to those made by the industry in the past in not taking responsibility for all aspects of the work.

The YFC will be happy to play a role in disseminating information to young farmers through the Rural Enterprise Scheme. A Wales wide scheme, part funded by the EAGGF, WDA, FRCA and NATWEST to assist young farmers between 18 and 31 years to develop viable business ideas.

Institute of Grassland & Environmental Research

IGER's direct interest in organic agriculture is limited to organic milk production systems, where we carry out a project under MAFF funding. We do, however, have a much broader interest in sustainable grassland systems, much of which is applicable to organic production.

1. Setting Production Standards/Inspection and Certification

This is not an area where IGER has a direct operational involvement, although obviously we have UKROFS registration. At a more strategic level, given the need to increase the level of organic production, we feel that there is a requirement for robust, enforceable standards that restore public confidence whilst not acting as an unnecessary barrier to conversation. We currently have concerns in two areas.

- a. The EU directive that seeks to forbid operation of similar conventional and organic enterprises by the same owner if they are in direct contact will have a deleterious effect on research in organic systems, where conventional production is frequently used as a control. Urgent action is needed if such research is not to be threatened.
- b. Standards for organic seed production will need to be implemented in a manner that does not impose very significant additional costs for seed producers. There is a danger that UK companies will not perceive large enough outlets to justify changes in production and thus that organic forage seed will come from outside the UK. This will prevent organic farmers from reaping the benefit of UK-sponsored R & D. There is a further problem in deciding what level of self-seeding from non-organic pollen would be acceptable in perennial outbreeding forage species like grass or white clover, where there are extensive natural populations.

2. Dissemination of Good Practice.

This is vital if the sector is to expand in an orderly fashion. IGER is committed in principle to playing its part in this, and looks forward to working with others, like the Farm Development Forum and its sub-group on demonstration activities. The critical element here is the need to meet the additional costs involved. Present research contracts generally contain insufficient funds for extension and demonstration activities. We have obtained EU funding for this type of activity in the past and further funding in this area is vital.

3. Promotion and Marketing

This has to be considered as part of the overall investment. Our data suggest strongly that profitability in the dairy sector is dependent on a premium. If that premium disappears because supply increases faster than demand, the sector will suffer badly. Wales, I believe, is in an excellent position to market a distinctive organic sector based on both processed and commodity products. Cohesive marketing is vital. Small producers will not be able to generate stable outlets without assistance.

NFU Cymru Wales

VIEWS ON ORGANIC FARMING ISSUES

1. Setting Production Standards

Organic Farming Scheme Wales (OFSW)

NFU Cymru Wales support the Organic Conversions Scheme launched by the National Assembly for Wales. We are lobbying to increase funding to allow all applications to be processed and allowing all applicants to convert. £1 million budget has already been agreed, yet it is unclear how much of the £10 million recently announced by MAFF will be made available to fund OFSW.

UKRoFS

The United Kingdom Register of Organic Food Standards was established in 1987. The Independent UKRoFS Board has expertise from producers, retailers and processors, distributors and consumers, and has been designated Legal Authority in UK to enforce EC Regulations 2092/91 for organic food production.

EC Regulation 2092/91

These regulations safeguard organic farming standards. It is illegal to sell crop products as organic without adhering to the regulations. Livestock standards will apply from August 2000. The certification bodies are, and continuing to, meet to set the livestock standards.

The regulations-:

- set standards for organic food together with requirements for processing, labelling and record keeping.
- set out registration and inspection rules.
- require that organic food from Third World Countries is grown, reared, processed and certified to the same equivalent standards.

1. INSPECTION AND CERTIFICATION

There are 2 main certification bodies operating within Wales. The Soil Association and Organic Farmers and Growers. Uniform standards by both bodies would reduce confusion. Funding to train sufficient suitably qualified inspectors is essential.

2. DISSEMINATION OF GOOD PRACTICE

Dissemination of Good Practice

NFU Cymru Wales supports and are keen to ensure that a well managed approach of the dissemination of Good Practice is relayed to the producer. This is already in place, but publicity must be circulated to ensure all producers can access the information.. The main bodies may need to co-ordinate a single approach within Wales. These bodies include Soil Association, Organic Farmers and Growers, WDA, ADAS, FRCA. WIRS, CCTA and the farming unions. The co-ordination responsibility should be directed to the WDA Organic Strategy Group Co-ordinator.

Other initiatives that will assist conversion include:-

- Organic Demonstration Farms. There are many suitable farms already operating within Wales in both public and private sector that should be earmarked as Demonstration Farms. These holdings will be able to assist farmers who are providing an opportunity to increase their practical knowledge and to talk to existing producers.
- Organic Strategy Group – The Group co-ordinated by WDA will develop a policy that will enhance the development of organic farming in Wales.

Promotion and Marketing of Organic Food

Demand for organically produced food currently outweighs the supply, as more farmers convert and with the Welsh Organic Strategy aiming for 10% of Welsh produce to be organic by 2005 a greater market share will be required.

Added value processing plants must be developed in Wales to ensure that the production of both milk and milk products and red meat can provide excellent products through multiple retailers, independents and export trade.

Marketing initiatives must be adopted to increase the penetration of all available markets.

